

Message Text

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ACTION EUR-12

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INFO AMEMBASSY BERLIN
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AMCONSUL MUNICH

LIMITED OFFICIAL USE BUCHAREST 8989

BELGRADE FOR AGATT

E.O. 11652: N/A
TAGS: EEWT, ETRD, EALR, RO
SUBJECT: IMBALANCE IN ROMANIA'S 1977 HARD CURRENCY TRADE

1. DURING LAST COUPLE OF WEEKS WE HAVE HEARD FROM VARIOUS BANKERS AND WESTERN DIPLOMATS THAT ROMANIA'S HARD CURRENCY TRADE IS IN SUBSTANTIAL IMBALANCE IN 1977 AND THAT THE DEFICIT MAY BE AS HIGH AS \$500 MILLION. ADDITIONALLY SOME WEST EUROPEAN DIPLOMATS HAVE RECEIVED COMPLAINTS FROM THEIR COUNTRIES' BUSINESSMEN TO THE EFFECT THAT THE MINISTRY OF FOREIGN TRADE (MFT) IS HOLDING UP THE ISSUANCE OF IMPORT LICENSES FOR SIGNED CONTRACTS UNTIL THE COMPANIES INVOLVED AGREE TO COUNTER TRADE, OR
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IF THERE IS ALREADY A PARALLEL COUNTER TRADE CONTRACT, AGREE TO INCREASE THE VALUE OF COUNTERTRADE.

2. IN DECEMBER 13 MEETING, COMATT ASKED MFT DIRECTOR FOR IMPORTS GHEORGHE PREDESCU ABOUT SIZE OF ROMANIA'S 1977 HARD CURRENCY TRADE DEFICIT. PREDESCU SAID \$500 MILLION FIGURE WAS SLIGHTLY HIGH. IN RESPONSE TO QUESTION AS TO WHY SIZE OF DEFICIT

HAD NOT BEEN NOTICEABLE TO GOR EARLIER THAN MID-NOVEMBER (WHICH WAS WHEN STORIES BEGAN CIRCULATING IN BUCHAREST THAT GOR WAS TAKING SOME CORRECTIVE TRADE MEASURES), PREDESCU LAID BLAME FOR LATE ACTION PARTLY

ON LINGERING AFTER-EFFECTS OF THE MARCH EARTHQUAKE. ONE OF THE EFFECTS

WAS THE DIVERSION TO DOMESTIC USE OF LARGE QUANTITIES OF CONSTRUCTION MATERIALS WHICH ARE NORMALLY EXPORTED. PREDESCU ALSO SAID THAT GOR HAD HOPED TO BE ABLE TO MAKE UP SOME OF THE EXPORT SHORTFALLS BUT IT BECAME CLEAR TO THEM IN EARLY NOVEMBER THAT THIS WAS NO LONGER POSSIBLE, ESPECIALLY WHEN THE RATHER DISAPPOINTING AGRICULTURAL HARVEST FIGURES BECAME KNOWN.

3. COMMENT. WE ARE INCLINED TO PUT SOME CREDENCE IN PREDESCU'S OBSERVATIONS. THERE IS LITTLE DOUBT THAT THE EARTHQUAKE AND THE COMPARATIVELY SMALL GRAIN HARVEST IN 1977 HAVE HAD AN EFFECT ON GOR'S FOREIGN TRADE. REGARDING LOSSES FROM THE EARTHQUAKE, DEPUTY PRIME MINISTER OPREA PLACED VALUE OF ECONOMIC LOSSES AT 40 BILLION LEI IN DECEMBER 8 SPEECH TO COMMUNIST PARTY CONFERENCE. THIS FIGURE IS APPARENTLY INCONSISTENT WITH THAT OF 2 BILLION DOLLARS MENTIONED BY PRESIDENT CEAUSESCU ON DECEMBER 7 (SEE BUCHAREST 8882) AND INNUMERABLE REFERENCES MADE SINCE THE DAYS IMMEDIATELY FOLLOWING THE EARTHQUAKE TO A 10 BILLION LEI LOSS. EMBASSY WILL PURSUE THIS DISCREPANCY. ON AGRICULTURAL SIDE, 1977 GRAIN HARVEST OF 18 MILLION TONS, DOWN FROM BOTH PLANNED LEVEL OF 21.2 MILLIONS TONS AND ACTUAL 1976 RECORD LIMITED OFFICIAL USE

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HARVEST OF 19.8 MILLIONS TONS, IS INDEED "RATHER DISAPPOINTING." PREDESCU, WHO REPORTEDLY IS RESPONSIBLE DIRECTLY TO DEPUTY MINISTER MARGARITESCU, OBVIOUSLY GAVE US ONLY PARTIAL LIST OF REASONS FOR TRADE SHORT FALLS. HOWEVER, THE PARTIAL LIST APPARENTLY REFLECTS PART OF THE TRUTH. END COMMENT.

4. FROM PRELIMINARY EXAMINATION OF ANNUAL PLAN TARGETS, THE 1976-1980 FIVE YEAR PLAN SUPPLEMENTARY PROGRAM AND OF ACTUAL 1976 PLAN RESULTS, IT APPEARS THAT GOR WILL SUFFER A 1.6 BILLION LEI VALUE (\$320 MILLION) SHORTFALL IN FOREIGN TRADE IN 1977. OUR ESTIMATE OF THE SHORTFALL IS A CONSTRUCTED FIGURE BASED ON ACTUAL PERFORMANCE IN 1976 AND PLANNED TARGETS FOR 1977 AND 1978. THIS SHORTFALL MOST PROBABLY WILL FALL IN LARGE MEASURE ON THE EXPORT SIDE. TARGETED INCREASE IN FOREIGN TRADE FOR 1978 (TO TOTAL OF 81.8 BILLION LEI) OVER PRELIMINARY ACTUAL PERFORMANCE IN 1977 (OUR ESTIMATE IS 68.7 BILLION LEI) WOULD, IF MET, REPRESENT AN INCREASE 1978/1977 OF 19.1 PERCENT. EVEN IF THIS AMBITIOUS TARGET WERE MET, FOREIGN TRADE IN 1978 WOULD ONLY ACHIEVE LEVEL ORIGINALLY SET IN 1976-1980 PLAN TARGET LEVELS. BALLOONING INCREASES FOR TARGETED GROWTH LEVELS IS NORMAL PRACTICE IN PLANNED ECONOMICS

WHEN SHORTFALLS OCCUR. THIS BALLOONING MAKES IT LESS LIKELY THAT THE NEW ANNUAL TARGETS WILL BE MET BECUASE PLANNED INCREASES FOR CERTAIN CATEGORIES GROW TO ABSURB LEVELS. EXACTLY THIS APPEARS TO BE OCCURRING WITH THE 1978 TRADE TARGET GROWTH LEVEL OF 19.1 PERCENT. IT IS SUBSTANTIALLY HIGHER THAN THE AVERAGE ANNUAL PLAN TARGET INCREASE IN FOREIGN TRADE OF 15.9 PERCENT CONTAINED IN THE FYP.

5. ACTUAL PERFORMANCE FIGURES FOR 1977 WILL NOT BE AVAILABLE IN PUBLISHED FORM UNTIL FEBRUARY 1978, IF PAST PERFORMANCE IS TO HOLD THIS YEAR. BETWEEN NOW AND THAT TIME, THE EMBASSY WILL CONTINUE TO ATTEMPT TO GET A CLEARER PICTURE OF 1977 GOR TRADE PERFORMANCE AND BOP SITUATION.

AGGREY

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